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S E C R E T SECTION 01 OF 02 DUBAI 000299

SIPDIS

DEPARTMENT FOR NEA/FO;NEA/ARP/BMASILKO

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TAGS: [EFIN](#) [ECON](#) [EINV](#) [PGOV](#) [AE](#)  
SUBJECT: DUBAI FINANCE DEPARTMENT LAUNCHES SUPPORT FUND

REF: ABU DHABI 189

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CLASSIFIED BY: Jennifer Gavito, Acting Principal Officer,  
Consulate General Dubai, UAE.

REASON: 1.4 (b), (d)

¶1. (S) Summary. In a rare public acknowledgment that Dubai's financial crisis lingers on, the Dubai Department of Finance (DDF) launched on July 22 the "Dubai Financial Support Fund" to manage the second half of a five-year USD 20 billion Dubai government bond (reftel). While official government entities are virtually guaranteed support, the Fund is likely to continue attempts by the Dubai government to trim the fat off of Dubai Inc. The Fund is also being painted as a response to complaints regarding Dubai's lack of transparency in its handling of the financial crisis. Despite this, it is unlikely the details of the Fund's activities will ever be made public. End Summary.

¶2. (S) During a July 22 meeting with Acting Consul General and EconOff, Dubai Department of Finance Funds Management Director Marwan Abedin confirmed that Dubai Ruler Mohammed bin Rashid al Maktoum (MbR) had that day signed a decree establishing a Financial Support Fund to manage USD 10 billion of a USD 20 billion Dubai government bond (the first USD 10 billion was subscribed to by the UAE Central Bank). Abedin, who was responsible for its creation, emphasized several times that the Support Fund was not a bailout and that, as a separate legal entity, participants would be responsible for repayment on a commercial basis (likely at slightly higher than the four percent rate the first \$10 billion bond will pay the Central Bank).

¶3. (S) Applications to participate in the fund would be considered based on the strategic importance of projects/entities to Dubai's long term viability. Abedin confirmed that a number of entities had already approached him to express interest in participating. While he wouldn't provide names, he noted that official Dubai entities (including the Dubai Electric and Water Authority, Dubai International Airport, and the soon-to-open Dubai Metro system) could be expected to receive funds. By contrast, the parastatals comprising Dubai Inc. would have no guarantee of support and would be assessed project-by-project based on their "strategic and pivotal" importance and commercial viability (Abedin joked that Nakheel's proposed newest tallest building in the world is not likely to make the cut). The Department of Finance will analyze applications for funds and make recommendations to the Supreme Fiscal Committee, which will oversee the Fund and make all final decisions on its use. The Committee will be made up of five members from the public sector, appointed by decree (although likely not until after Ramadan ends in late September).

14. (S) Abedin was adamant that the Support Fund is not a bailout and, despite rampant rumors to the contrary, the commercial terms of the loans (rather than simply a cash transfer) should help dispel rumors that the Federal Government (i.e. Abu Dhabi) is buying out Dubai. Diverting only briefly from the unstated but firm rule against government officials criticizing Dubai Inc., Abedin conceded, though, that the parastatals "need to start acting like" the commercial entities they are. (Note: This comment is significant as it is rumored that a public and disparaging comment against Nakheel was behind the recent and surprising firing of Abedin's former boss, Department of Finance Head Nasser al-Sheikh from all Dubai government positions. End Note)

15. (S) Although worried about ongoing rumors about the viability of Dubai as the regional hub for commercial activity, Abedin noted that its well-developed critical infrastructure (including security) makes it unlikely Dubai could be seriously challenged in this regard. Abedin pointed out that the global economic crisis is not unique to Dubai and repeated the oft-heard refrain by Dubai officials that this provides an opportunity for a much-needed "correction" and a chance to get "back to basics." Abedin acknowledged that the reluctance of Dubai to admit the depth of the crisis in its early months diminished its credibility. In fact, the Department of Finance two weeks ago hired a new Public Relations firm to ensure such a misstep would be avoided in the future (notably, Abedin did not indicate this effort would result in financial information being more freely provided).

16. (S) Comment. The Department of Finance is moving to guarantee

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all strategic government-related entities against insolvency, with the potential of substantial future funds provided if needed. Following criticism over the secrecy surrounding how the first USD 10 billion tranche is being disbursed, this also seems to be a PR move to provide at least the appearance of transparency and accountability. Dubai seems to have come around to the realization that it mishandled the financial crisis, both publicly and privately, and hopes this high-profile Support Fund will help to reestablish confidence and credibility with the business community. End Comment.  
GAVITO